# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:4164
ANSWERED ON:04.05.2007
" COMMITTEE ON SMALL SAVINGS LOANS TO STATES"
Solanki Shri Bhupendrasinh Prabhatsinh

**Will the Minister of FINANCE be pleased to state:**

(a) whether any Committee has been constituted under the Chairmanship of Finance Minister to examine the issue of small savings loans to the States;

(b) if so, the details thereof;

(c) whether any report has been submitted by the Committee;

(d) if so, the details thereof; and

(e) action taken thereon?

## Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE : (SHRI PAWAN KUMAR BANSAL)

(a) to (e): A Sub-Committee of the National Development Council (NDC) was constituted on 16th September, 2005 under the chairmanship of the Finance Minister to examine issues relating to the debt burden of the States and debt relief with reference to their debt outstandings against the National Small Savings Fund (NSSF). The Sub-Committee submitted its report to the NDC with the following recommendations: -

(i) The small savings collections will be shared between the States and the Centre in the ratio of 80:20 (vis-Ã -vis the present arrangement of 100 per cent transfer of net collections to the State Governments) with the option to the States to take upto 100 per cent of their collections. The revised sharing pattern will be effective from 1st April 2007.

(ii) The interest rates on loans taken by State Governments from NSSF from 1999 − 2000 to 2002 − 2003 will be reset at 10.5 per cent with effect from 1st April, 2007. The interest rate on these old loans will be reviewed if the interest rate on the current loans is reduced or after 3 years, whichever is earlier.

(iii) The interest rate on current NSSF loans will continue at 9.5 per cent.

(iv) Requests of State Governments for additional open market borrowing to enable them to repay non-NSSF loans will be considered on a case to case basis.

(v) Requests of State Governments for prepayment of NSSF loans contracted upto 2002 − 2003 will also be considered on a case to case basis within the approved market borrowing ceilings.

The NDC in its meeting held on 9th December 2006, inter-alia, endorsed the above recommendations. Government has accepted the recommendations and communicated the same to all State Governments and Union Territories (without Legislature). The revised pattern of sharing of small savings collections has been implemented from 1.4.2007. Also, interest rates on loans taken by State Governments from NSSF from 1999 - 2000 to 2002 - 2003 has been reset at 10.5 per cent with effect from 1.4.2007.